**Assignment Dropbox Homework – AD 13**

**Adapted from Fundamentals of Futures and Options Markets, 6th ed., John C. Hull.**

**Chapter 13**

AD 13: The Dow Jones Industrial Average on December 22, 2009 was 10,464 and the price of the March 100 call was $5.00. Assume the risk-free rate is 3.2%, the dividend yield is 2% and the option expires on February 20, 2010. (Note that the options are on the Dow Jones Index divided by 100.)

Q1: Use Derivagem to calculate the implied volatility of the call option.

Q2: Use put-call parity to estimate the no arbitrage price of a March 100 put.

Q3: Given the price determined in Q2, use Derivagem to calculate the implied volatility of the put option.

Q4: What do you conclude about put-call parity and implied volatility for European options?